

Written Testimony presented by Mayor Lyda Ann Thomas, City of Galveston

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City of Galveston Finance and Cash Flow Challenges

Immediately after Hurricane Ike hit Galveston, revenues to operate the city plummeted. Citizens were not on the island and therefore water consumption dropped dramatically. Five months after the storm water consumption has somewhat stabilized to a level that is 40% less than pre-storm levels, a level that could remain relatively constant for many years. Additionally, almost every business in town was closed, and 5 months after the storm only 35% of the businesses have re-opened. Sales tax revenue took a significant dive. Although sales tax has rebounded with the rebuilding effort, long term our projections are for such revenues to remain at far less than pre-storm levels for an extended period of time.

Despite these challenges, the city must continue meeting payroll and operational expenses after the storm. On top of that we are expected to pay in advance for the clean up, response and repairs of all our systems and then seek reimbursement from FEMA that will not come for many months, and as experience has taught us in the past it can sometimes be years.

The City has to cover the 25% non-federal cost-share for FEMA assistance. Unto themselves these cost-share expenses are far greater than our normal annual operating budget, at a time when revenues are significantly depressed and both workload and other expenses that must be borne by the City are far greater than before the storm. The City of Galveston was very well prepared financially going into this storm with all of our reserves above target levels as well as a pre-negotiated loan agreement in place. We have reduced our budget by 15% which included reducing salary's to every employee as well. We have lost about 10% of the workforce and are still faced with having to layoff employees at a time when we need their help. These financial challenges, and the loss of critical personnel that result, threaten the pace and success of our recovery.

Recommendations:

FEMA needs to develop a funding mechanism based upon a community's fiscal responsibility and typical operating budget and advance an appropriate level of funding to help to carry them for a sustained period of time to allow for adequate recovery and rebuilding. Galveston was the only community to receive a cash advance for debris only, which was appreciated but only scratches the surface of what is needed.

FEMA should also work with Congress to develop the ability to provide upward adjustments for cost-share for catastrophically-impacted areas like Galveston, irrespective of the situation and resources available elsewhere in the state. For areas hurt as badly as Galveston, the normal rules for recovery are often insufficient, and the resource needs that can be absorbed by communities experiencing "garden variety" disasters can cripple a catastrophically-impacted jurisdiction like ours.

Extensions of Funding Assistance Challenges

Category A (Debris) 100% funding was extended in advance through October 26, 2008. It was not until a few weeks after the expiration of 100% Category A funding that the City received an extension through April 26, 2009. This time of uncertainty of whether we could get 100% reimbursement or just 75% reimbursement caused the City to have a great deal of stress due to the extreme cost of debris removal relative to our city's budget. We appreciate the extension of Category A at 100% through April 26th; however, we need another extension, and we need to know whether we will get it or not, sooner rather than later.

Unlike essentially every other storm we have studied, Category B (Emergency Protective Measures) 100% funding has not been extended and we have only been assured of 75% reimbursement for the bulk of our recovery. We need extension of Category B work at 100% to be granted and to be extended as requested for Category A. We are experiencing continual latent defects in our infrastructure that require continual expansion of Category B work.

Recommendation:

Categories A and B should be set for an extended period of time immediately after the storm based upon the severity of the event. Every community should have enough time to properly recover without having to worry about these two most critical areas of recovery. Again, this should be somehow codified in the Stafford Act or in regulation, to provide communities like Galveston predictability and surety of resources for their recovery.

Additional After Storm Assistance Challenges

The FEMA first responders did very well in their assistance to us. Where we could have used additional help is from FEMA Public Assistance Staff immediately after the storm to proactively assist the city in making certain the paperwork the city is creating to substantiate its reimbursement claims will be satisfactory months later, rather than have to argue with staff members regarding documentation exceptions. FEMA rules indicate that if another Federal Agency has funding responsibility for a particular item, a city must work with that agency for assistance. In many instances, the other agency has a totally separate set of rules and timelines for assistance, and may not even have any funding available under the responsible program to fund the project. An example is traffic signals. Of our 116 traffic signals, it turns out that FEMA can only assist us with 1. The Federal Highway Administration must assist with the other 115.

Recommendations:

Provide more public assistance help immediately after the storm so that we are ahead of the game, instead of behind.

FEMA's Rule of Other Federal Agencies funding first needs modification to be more inclusive. An integrated approach through FEMA would be helpful and would lessen the confusion. It would be helpful if FEMA could fund the repair effort when another agency's programs have

insufficient funding or cannot provide the assistance within normal recovery timelines, and then seek reimbursement from the responsible agency as appropriate.

Sheltering and Transitional Housing Challenges

More than 75% of the housing stock in the City of Galveston sustained damages resulting from hurricane Ike. Residents either evacuated prior to the storm or were evacuated after the storm. In order for citizens to return to their jobs, check on their uninhabitable homes, cleanout their houses, pack their belongings, and meet with FEMA representatives and/or insurance agents, citizens needed to be able to stay close to the City. Hotel accommodations were scarce and where there were accommodations, they were often filled with Red Cross, Salvation Army, or FEMA representatives.

As much as FEMA made itself available to the public, the difficulties met with in the application process for assistance were compounded by requirements for citizens to reapply for their vouchers every two weeks.

Also, FEMA's rule that prohibits the placement of temporary housing in coastal V-zones has made it nearly impossible to place sufficient housing stock to meet community and business needs.

Recommendations:

It would be helpful if these major national entities came with self contained living accommodations, or committed to stay in housing and hotels away from catastrophically impacted areas like Galveston, in the immediate aftermath of a disaster until such time sufficient housing is available to serve both displaced residents and others.

Vouchers should be issued for no less than 30 days.

FEMA should consider providing waivers to their policies related to the placement of temporary housing in V-zones when there are insufficient options available to get people back to their communities. Said housing, however, should be engineered to withstand strong winds and elevated on temporary foundations, to better protect from loss in future events, and require evacuation planning (and resident commitments to evacuate when orders are given) in the event another hurricane approaches during the temporary housing period.

Shelter Operations Challenges

The City has a contract with the Red Cross to operate a shelter following a disaster. However, the Red Cross came prepared only to operate a shelter in one of several schools. There were no undamaged schools that could house a shelter. There was confusion between FEMA and the Red Cross as to who could authorize a tent shelter. After a week of debate, the Red Cross hired the contractor then was told by FEMA that they would not be reimbursed and that the City needed to

contract with the Vendor. In the end, the City signed the agreement with Vendor after the vendor had been here for six weeks. The vendor took all directions from the Red Cross who were operating the shelter. However, the City holds a bill for \$3 million with supporting documentation held by the Red Cross and no clear solution as to how to get this bill paid.

Recommendation:

That the Red Cross negotiate with vendors in advance, so that when this type of facility is required and that FEMA reimburse the Red Cross directly. Further, FEMA should utilize the flexibility it has in the Stafford Act to address unique situations like this quickly and to simply pay the bill because it was necessary, is allowable and is the right thing to do.

FEMA Program for Homeowners vs. Renters Challenges

Galveston has a large (over 60%) population of renters. FEMA has very good programs set up for homeowners with adequate insurance and also for homeowners with no insurance. Although the process is very tedious, if you follow all the steps the program works. However, there is minimal assistance for renters. It would be helpful, if there were assistance for owners of rental property to get them back in operation. In addition, when apartments were placed back in operation, FEMA set a rental rate which created an increase in the cost of living for renters. FEMA rental rates were in many cases 10 – 30% higher than was being charged for the same property prior to the storm.

When insufficient housing exists to handle displaced residents, the pace of recovery for rental properties directly impacts how quickly people can return to Galveston and support both their personal as well as community recovery efforts. This creates a public-sector imperative to assist rental property owners, so that people can get out of FEMA trailers and government-provided housing and back into their communities.

Recommendation:

Develop FEMA's pilot program that assists apartment owners to fix their property for the purpose of housing displaced homeowners and renters. Look at variable rental rate schedule. Not a flat rate based on the number in the household.

Volunteer Housing Challenges

We had many faith based volunteer groups and also many civic groups from around the country that came to assist with the cleanup of community. There were no churches in Galveston able to house volunteers after the storm since most had been seriously damaged. We finally arranged to use a vacant school to house volunteers, however, the city was asked on numerous occasions to assist with operating costs and also staffing costs of the facility which is being run by volunteers. We were told on several occasions that there was funding available through FEMA for this type of operation. However, by going through the chain of command that was necessary, none of the intermediary levels knew anything about the program. Volunteer efforts have been and will continue to be a key to clean up the community and also to restore homeowner property

to its pre-IKE state. This is particularly true with senior citizens, handicapped, and single parent families many of whom were underinsured or had no insurance.

Recommendation:

Develop or make available through FEMA some type of funding for volunteer housing, as was done in Louisiana after Hurricane Katrina. The availability of this assistance should be codified, so that delays and disagreements do not impact communities impacted by future disasters.

Individual Assistance/Federal Assistance Challenges

FEMA assessments process leaves homeowners in limbo. Despite repeated requests by the City, the FEMA Assessment Team did not come to the City until 4 to 6 weeks after Ike, causing citizens to pay rent and mortgages, simultaneously when they could have been in their homes. Assessment Team members were poorly trained, inexperienced and inconsistent in their assessments. Homeowners did not know for weeks whether their homes had to be demolished, rehabilitated or elevated. Some are still waiting for a final decision. FEMA seems to have an unwritten policy that a large number of people are initially turned down and then told to reapply or appeal, not once but two or three times.

The Residential Substantial Damage Estimate (RSDE) process (determination of 50% or more damage, triggering elevation of structures) is an entirely separate process from the National Flood Insurance Program estimates of damage through Flood Insurance. In several instances, this yielded very different results to the property owner's detriment. An example would be a situation where the RSDE process caused a home to be considered substantially damaged; where the NFIP process indicated it was not. This split process does not make much sense to the homeowner.

Similarly, the estimates of whether a structure that's eligible for assistance under the Public Assistance Program is 50% or more damaged (and thus eligible for replacement) is not done consistently with substantial damage determinations under the NFIP. This again can result in serious problems, with some buildings being required to be elevated under NFIP (thus increasing reconstruction costs dramatically), but those costs are not considered when determining whether the damages are sufficient to allow for building replacement.

Recommendations:

Federal Assistance needs a more integrated approach through FEMA as the overall coordinator.

This entire program needs to be revamped so that FEMA can come in immediately after the storm with a much simpler, less cumbersome program that will give citizens and communities answers to their personnel situation so that they can determine what they should do. Consistency should be the goal for determining damage estimates or in the evaluation of whether the 50% threshold is met.

In addition, RSDE teams that are trained in advance, in adequate numbers to handle a regional disaster, should be pre-positioned.

FEMA VOAID Program Challenges

The FEMA VOAID representative was only authorized to communicate with public service agencies. Unfortunately, the local public service agencies – Salvation Army, Red Cross, Food Bank, Catholic Charities, Family Services, and local agencies were unable to function after the storm due to loss of facilities, lack of communication, and undefined roles. The City took on this operation because of the large number of volunteers coming into the area and also the amount of donations. The City was coordinating volunteers, donations, and citizen concerns with assistance from Americorp volunteers who were under the direction of the FEMA VOAID.

Recommendation:

The City would have willingly released the responsibility for these programs to another agency; however, there was none. It would have been helpful if the VOAID had been a little more flexible to recognize all parties participating in the process to initiate recovery of the community.

Hazard Mitigation Grant Program (HMGP) Funds (Section 404) Challenges for Coastal Communities:

The rules for use of HMGP funds typically require the calculation of a benefit/cost analysis in strict accordance with FEMA guidelines. One available program is for buying homes. The guidelines are such as to promote the removal of homes from river or creek floodplains and floodways, and actually provide a waiver of the need for benefit/cost calculation if the home is determined through the RSDE process to be Substantially Damaged. Such a waiver does not exist in coastal communities such as Galveston, which have coastal floodplains and not riverine floodplains, and have no floodways at all.

Given the high costs to coastal communities nationwide from severe storms and hurricanes, this makes no sense. The only way to break the cycle of damage is to encourage the elevation of homes along the coast when future storms are predicted, as in the case of Galveston.

Unfortunately, the normal benefit-cost calculations do not help a community like Galveston, which faces significant future risk but which has experienced few storms of any consequence over the past 50+ years. Because of the extremely limited flooding history during that period, coastal community homes that are Substantially Damaged need to be elevated but cannot meet the b/c calculation. In our case, none of our Substantially Damaged neighborhood homes qualify for elevation, which has left over 1,000 of our homes ineligible for funding under this program. The City was left with a choice of assisting the individual citizen with the buyout and destroying the neighborhood, or by refusing the individual citizen access to a program that would relieve their burden.

Recommendations:

Modify the HMGP program so that it will benefit coastal communities, in light of their actual risk. Past losses can certainly be a good indicator of risk, but it is not the only one. Coastal V zone properties should be included in the FEMA waiver of benefit/cost analysis, in recognition of their significant risk.

FEMA Operational Challenges following a catastrophic event

Continual staff changes (every 4-6 weeks) create an unstable arena in which local planners, elected officials and residents constantly have to re-explain their situation. Also, institutional learning is lost on the processes.

Recovery resources need to be developed which are consistently applied from one event to another and from one geographic area to another. Frustration grows when one area learns that the rules are not the same or that other areas received greater benefit than theirs.

Similarly, every time staff rotates in or out, many decisions and directions already agreed-to by prior FEMA staff are re-evaluated, and new decisions are made related to project eligibility, funding, and policy interpretation. This causes significant confusion and delays, resulting in a delayed recovery.

Recommendation:

Provide consistent, stable and long-term very knowledgeable staff, especially the key personnel, to help guide the community out of the disaster and through the recovery process. And if personnel do change, increased efforts should be made to ensure adequate transition time to avoid the confusion, delays, re-evaluation of prior decisions and problem resolutions, and loss of documentation that has characterized the recovery efforts in Galveston when personnel rotated out.

Business support Challenges following a catastrophic event

There is no clear direction on the role of FEMA and the Small Business Administration as it relates to the private sector in recovery/rebuilding stages. There are too many different stories and rumors relating to what the private sector hears on how to do business with FEMA and SBA, how to become a part of the rebuilding process and what assistance might be available to the business community, and not enough answers that can be relied upon. This lack of transparency and inability to get reliable information has confused and lengthened the recovery period, and causes many businesses to not seek or obtain help available to them.

Recommendation:

Do a better job of communicating with the business community, both directly and by leveraging local resources (communities, chambers of commerce, business leaders, elected officials, media, and others). In addition, information provided should be in writing, be more comprehensive, and

be reliable – statements by inadequately or incompletely trained FEMA program staff, Community Relations personnel, and telli-registration staff is not sufficient.

Galveston Public Housing Challenges

Public housing is essential. Four large project units were so heavily damaged they need to be replaced. Keeping track of our displaced citizens and assisting them with proper documentation to fulfill eligibility requirements for FEMA assistance has been a challenge.

Recommendations:

There needs to be a pre-existing IAA (Inter Agency Agreement) between FEMA and HUD. HUD is the appropriate federal government entity with its sub-contracting Housing Authorities to respond to Public Housing Issues after a disaster. FEMA/HUD needs to have the local housing data, population data ahead of time or at the time of the storm to respond to a disaster. FEMA/ HUD must explore options to deal with the tenants and landlords rather than dealing with just the landlords after a disaster.

FEMA's Rental Repair PILOT program worked well after hurricane IKE and this needs to be part of the housing solution after a disaster. This is a program in which FEMA works with the landlord directly to fix their damaged units in exchange for landlords to allow eligible families to live in those units after a disaster. This program should be expanded, however, to also include assistance for owners of single-family rental properties when other housing resources are insufficient, to further enhance the pace of restoration of housing after a disaster occurs.

FEMA must explore pre-fabricated housing options to replace some of the housing stock as part of the long-term housing solution.

FEMA needs to have better operating procedure to educate the local media and publish its own newsletters to better provide proper news rather than fabrication of stories by the local media and misinformation.

FEMA needs to re-evaluate its policy to only allow temporary housing outside of coastal V zones when there is insufficient ability to place needed easily be used for temporary housing (including some with infrastructure in place), and options to elevate said units above anticipated flood levels and protect them against high winds exist, but FEMA's policy interpretations won't allow them to place such housing on Galveston Island due to the V-zone problem.

Closing Summary: The Need for Cooperative Pre-planning and Long-term Continuity for Business/Community Recovery

Currently programs are initiated only following a catastrophic event. In areas like Galveston where Hurricanes are likely to occur, it would be beneficial if communities/businesses could be pre-planning or proactively working with FEMA to improve contingency planning efforts, application forms, contact information, pre-event educational outreach, etc...In addition, if federal policy following a natural disaster came in post-event with a longer time- frame for

planning and response activities, and included up-front funding to support local efforts so that seriously impacted communities can assume greater responsibility and leadership in their own recovery planning and implementation efforts, this would be most helpful. The continual rush for a pre-set time line, of which the deadlines continue being extended, is frustrating and psychologically exhausting for residents and those affected on a routine basis.

Recommendation:

Our nation's emergency management system needs to place greater value, and dedicate greater resourcing, to the encouragement of pre-event planning for response and recovery efforts. A grant program for states, designated to support community efforts in this regard, would be critical to making this happen, as would increased development of planning tools and guidance that can be used in support of the expenditure of said funds. In addition, in the post-disaster environment, it is not enough for the federal government to provide a handful of technicians to support long-term recovery planning and implementation efforts. Particularly for catastrophically-impacted communities like the City of Galveston, resourcing is needed to allow the community to take ownership for its recovery and lead its own recovery planning process. And that planning process (to include both funding and technical support) should not be arbitrarily limited to impossibly short timelines; they should be provided for a duration deemed appropriate given the magnitude of the disaster in question, as determined in consultation with State and local officials. Lastly, shoreline protection is the long-range answer to coastal security.